

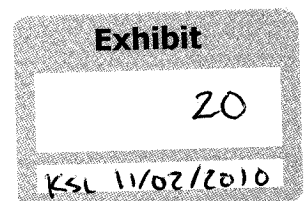
Exhibit 3

ATTACHMENT No. 15

PEREZ (11193943 AND 11194683)

**PROPERTY ADDRESS:
1426 NW 8TH TERRACE
CAPE CORAL, FL 33993**

CHAPTER	SECTION(S)
1. Introduction	101, 102, 103, 110, 112, 113(B), 113(C)
2. Client Eligibility	202, 203, 205(C)
2A. Representations, Warranties and Covenants	A200, A201(H), A201(M), A202(A), A202(B), A202(T), A202(E), A202(II), A202(KK), A205, A206, A208(1) (referencing A211), A208(2), A208(3), A208(4), A209(A), A209(C), A210(A), A210(B), A210(I), A212
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Client Guide

GMAC RFC

Version 1-06-G04

Effective December 11, 2006

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Introduction

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GMAC-RFC Objective

Welcome to GMAC-RFC's Client Guide—the reference book governing our business relationship. This Client Guide sets forth the terms and conditions for selling Loans to GMAC-RFC. It also describes our products and **Loan Programs**, and contains standard forms that will be useful in our dealings together.

Please feel free to contact your GMAC-RFC sales director with any questions you may have about the contents of this Client Guide.

Thank you for your business. We look forward to working with you.

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Client Contractual Obligations

By signing the Client Contract, the Client is bound by all provisions of this Client Guide, including but not limited to the Representations and Warranties of Client and Remedies of GMAC-RFC Sections of this Client Guide. This Client Guide, the Client Contract, and the applicable Negotiated Commitment Letter govern the purchase of Loans under **Commitments**.

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Single Contract

This Client Guide sets forth the terms and conditions upon which a Client will sell mortgage Loans and servicing to GMAC-RFC. A similar **Servicer Guide** covers **Servicers** who contract with GMAC-RFC. GMAC-RFC maintains a single contractual relationship with each entity with which it does business as a Client, a **Servicer** or both. GMAC-RFC has prepared two Guides for ease of reference only. Where GMAC-RFC contracts with an entity to be both a Client and a Servicer, it carefully evaluates all aspects of the proposed relationship before approving an entity as a Client. Failure of a Client to perform obligations under either this Client Guide or the **Servicer Guide** constitutes a default under the Client relationship and permits GMAC-RFC to disqualify such Client as either a Client or a Servicer and permits GMAC-RFC to terminate its entire relationship with that entity.

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Relationship of GMAC-RFC and Client

This Client Guide provides for terms related to the sale of Loans by Client and the purchase of Loans by GMAC-RFC. The relationship between Client and GMAC-RFC is limited to that of a seller on the part of Client and that of a buyer on the part of GMAC-RFC. Nothing in this Client Guide or any related marketing or other materials creates or may be construed as permitting or obligating GMAC-RFC to act as a financial or business advisor or consultant to Client, as permitting or obliging GMAC-RFC to control Client or to conduct Client's operations, as creating any fiduciary obligation on the part of GMAC-RFC to Client, or as creating any joint venture, agency, partnership or other relationship between GMAC-RFC and Client other than as explicitly and specifically set out in a formal writing, signed by both parties, intended to create such a relationship. Client acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of the Client Contract and this Client Guide. Client further acknowledges that it is experienced with respect to the transactions contemplated by this Client Guide and has made its own independent decisions with respect to the Client Contract, the Client Guide and any related transactions.

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Client ID Number

Each Client approved to participate in GMAC-RFC's **Loan Programs** is assigned an individual ID number. This ID number must be used on all correspondence and on all transmittals sent to GMAC-RFC pertaining to Loans sold to GMAC-RFC under **Commitments** issued. This number is sometimes referred to as the Client/Servicer ID number.

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GMAC-RFC Loan Number

Each Loan is assigned a GMAC-RFC Loan number. This Loan number must be used for all correspondence and transmittals sent to GMAC-RFC. The GMAC-RFC Loan number is located on the Purchase Advice.

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Servicer Contractual Obligations

All Loans purchased by GMAC-RFC under the terms of the Client Contract and this Client Guide, as may be amended by a Negotiated Commitment Letter, must be serviced by a **Servicer** under the terms of the **Loan Documents**, the Client Contract and the **Servicer Guide**.

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Headings, Use of Capitalization and Definitions

Each Chapter, Section and Feature title in this Client Guide appears with initial capitalization. References to a GMAC-RFC **Loan Program** appears with initial capitalization. All terms listed in **Chapter 10**, Definitions, have the special meaning given to them in Chapter 10 and appear with initial capitalization throughout this Client Guide.

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Form and Exhibit Numbering

All GMAC-RFC Forms and Exhibits are referenced as (GMAC-RFC Form/Exhibit #) in the text. The date will be changed with each published revision. Each Client Guide Form and Exhibit number is four or five digits. The first digit will be the numeral "1." The next digit(s) correlate to the Chapter. The last two digits indicates the sequence.

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Client Guide Online

For Clients' convenience this Client Guide is available on the Internet at **www.GMACResidentialFunding.com**. Clients can request access online. All amendments or supplements will also be available online. In the event of any inconsistency the online guide shall control.

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General Rules of Interpretation

All words used in this Client Guide shall be construed to be of such gender or number as the circumstances require. Nothing in this Client Guide shall be deemed to amend, or relieve the Client of its obligations under, any Program Document. Whenever GMAC-RFC is used in this Client Guide, it refers to Residential Funding Company, LLC (f/k/a Residential Funding Corporation).

(A) "Knowledge" Standard

Whenever any representation, warranty, or other statement contained in this Client Guide is qualified by reference to a Client's "knowledge" or "to the best of" a party's "knowledge", such "knowledge" shall be deemed to include knowledge of facts or conditions of which Client, including (without limitation) any of its directors, officers, agents, or employees, either is actually aware or should have been aware under the circumstances with the exercise of reasonable care, due diligence, and competence in discharging its duties under this Client Guide and the Program Documents. All matters of public record shall be deemed to be known by the Client. Any representation or warranty that is inaccurate or incomplete in any material respect is presumed to be made with the knowledge of Client, unless Client demonstrates otherwise. "Due diligence" means that care which Client would exercise in obtaining and verifying information for a Loan in which Client would be entirely dependent on the Mortgaged Property or Mortgagor's credit as security to protect its investment.

(B) GMAC-RFC's Sole Discretion

Whenever any provision of this Client Guide contract requires GMAC-RFC to make a determination of fact or a decision to act, or to permit, approve or deny another party's action such determination or decision shall be made in GMAC-RFC's sole discretion.

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(C) Updates and Amendments

GMAC-RFC will update this Client Guide from time to time to reflect changes in GMAC-RFC's requirements and developments in GMAC-RFC's **Loan Programs**. Each update will be made by means of a written notice to Client, and will constitute an amendment to this Client Guide. The written notice can be sent by email, mail, courier or fax. The written notice will explain the amendment and specify the effective date of the change. Any amendment that modifies any underwriting guidelines or this Client Guide will only be effective for Mortgage Loans Registered after the effective date specified in the notice of amendment. GMAC-RFC will notify Client of any unilateral change to the Underwriting Guidelines at least 30 days prior to the effective date of such amendment; however, GMAC-RFC may give less than 30 days notice for new programs, products or enhancements. Notwithstanding the foregoing, GMAC-RFC may amend this Client Guide, Underwriting Guidelines or the Program Documents at any time if required by law or court order.

(D) Power of Attorney

The Client by entering into the Client Contract and delivering Loans to GMAC-RFC makes and appoints GMAC-RFC Client's true and lawful attorney-in-fact; and in the Client's name and stead to execute, by any authorized GMAC-RFC employee or agent's signature, any and all documents for the purpose of assigning and transferring to GMAC-RFC any and all Mortgages, deeds of trust, **Security Instruments**, and the related notes, including, but not limited to the assignments of mortgages, deeds of trust, and Security Instruments; Note endorsements, affidavits and agreements, for any Loan transaction closed and funded in the Client's name and committed to GMAC-RFC under the Client Contract and gives and grants GMAC-RFC full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done, and to make, correct, supply information where GMAC-RFC can supply the information, amend, endorse, accept, or deliver all agreements and instruments; as fully, to all intents and purposes, as the Client might or could do if present at the doing thereof through one of its authorized representatives, with full power of substitution and revocation. The Client ratifies and confirms all that GMAC-RFC shall lawfully do or cause to be done by virtue of this "Power of Attorney." The Client may only revoke this Power of Attorney in writing and only upon the expiration of 180 days from the effective date of the Client Contract's termination in accordance with the Client Contract and this Client Guide's terms, and this Power of Attorney shall be deemed to be a power coupled with an interest for such purpose.

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Use of Client's Name

GMAC-RFC reserves the right, at its option, to make the name of the Client generally available, to publicly associate the name of the Client with GMAC-RFC **Loan Programs** and to refer business prospects to the Client. GMAC-RFC agrees to waive this right upon written notice from the Client requesting that GMAC-RFC do so.

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Client Contract

As set forth in more detail in the Client Guide, to participate in GMAC-RFC's **Loan Programs**, a lender agrees to be bound and abide by the procedures, terms and conditions set forth in this Client Guide, as it may be amended from time to time. The lender must also enter into a Commitment Letter that specifies, among other things, the maximum dollar volume of Mortgage Loans that may be offered for sale within a stated period of time.

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Client Underwriting Responsibilities

The Client must ensure that Loans sold to GMAC-RFC meet the eligibility and underwriting guidelines as outlined in this Client Guide. The Client represents and warrants such compliance.

The Client is responsible for credit and property underwriting performed by it or by entities other than the Client which have been retained by the Client to perform such underwriting on Client's behalf. This applies even if the credit information and appraisal were requested by or if any Loan processing functions were performed by an entity other than the Client or an entity related to the Client.

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Continuing Client Obligations

In order to remain eligible, the Client must be active with GMAC-RFC in the preceding calendar year, maintain the initial eligibility standards or eligibility standards currently in effect, and comply with the continuing obligations as defined in this Client Guide. In addition, GMAC-RFC reserves the right to amend any or all continuing eligibility standards for a Client based upon its current financial strength, volume and performance.

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Disqualification, Suspension or Inactivation

GMAC-RFC may disqualify, suspend or inactivate the Client from selling Loans to GMAC-RFC, or may take any other action GMAC-RFC deems appropriate upon notice to Client. The Client will be ineligible to obtain new **Commitments** during any period of disqualification, suspension or inactivation. GMAC-RFC will determine the length of any disqualification, suspension, or inactivation period, and may prescribe the terms and conditions for reinstatement.

(A) Termination

Either party may terminate the Program Documents and Client's right to participate in GMAC-RFC's **Loan Programs** at any time upon five days prior written notice of termination to the other party. GMAC-RFC may suspend or terminate the Program Documents and Client's right to participate in GMAC-RFC's **Loan Programs** immediately if it has cause to believe an **Event of Default** or a breach of a representation and warranty has occurred.

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(B) Effect of Termination

Any termination of the Program Documents and Client's right to participate in GMAC-RFC's **Loan Programs**, for any cause, shall not affect the performance of Client's obligations with respect to Mortgage Loans previously sold or delivered to GMAC-RFC prior to the effective date of such termination. Provided that no **Event of Default** on the part of Client has occurred, termination of the Program Documents by GMAC-RFC shall not apply to any Mortgage Loans that have been Registered with GMAC-RFC by Client before the effective date of such termination notice. If GMAC-RFC terminates the Program Documents due to an Event of Default, GMAC-RFC may refuse to Register or Fund any or all Mortgage Loans after the effective date of termination.

(C) Survival of Representations, Warranties, Covenants and Remedies

Client's representations, warranties and covenants with respect to each Loan, and GMAC-RFC's remedies for Client's breach of such representations, warranties and covenants with respect to each Loan will continue in full force and effect until the latest of: (i) the date such Loan has been irrevocably paid in full, (ii) the date the last limitations period for bringing claims against GMAC-RFC or its successors or assigns concerning the subject matter of Client's representations and warranties with respect to such Loan expire under all applicable law, and (iii) the date any claim, suit or other proceeding against GMAC-RFC or its successors or assigns concerning the subject matter of Client's representations, warranties and covenants with respect to such Loan have been conclusively determined or settled and all applicable appeals have been exhausted.

Furthermore, Client's representations, warranties and covenants with respect to each Loan shall also survive: (a) the sale and delivery of such Loan and/or the related Servicing Rights to GMAC-RFC; (b) the termination of the Client Contract, the Client Guide and the other Program Documents and/or Client's right to participate in GMAC-RFC's Loan Programs; (c) any restrictive or qualified endorsement appearing on any Mortgage, Note, or any other agreement, document or instrument relating to such Loan; and (d) any examination, failure to examine, due diligence or failure to conduct due diligence with respect to such Loan or any of the agreements, documents or instruments related to such Loan.

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Representations, Warranties and Covenants

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Client Representations Warranties and Covenants

The Client acknowledges that GMAC-RFC purchases Loans in reliance upon the accuracy and truth of the Client's warranties and representations and upon the Client's compliance with the agreements, requirements, terms and conditions set forth in the Client Contract and this Client Guide.

All such representations and warranties are absolute, and the Client is fully liable for any misrepresentation or breach of warranty regardless of whether it or GMAC-RFC actually had, or reasonably could have been expected to obtain, knowledge of the facts giving rise to such misrepresentation or breach of warranty.

The representations and warranties pertaining to each Loan purchased by GMAC-RFC survive the Funding Date, any simultaneous or post-purchase sale of servicing with respect to the Loan and any termination of the Client Contract, and are not affected by any investigation or review made by, or on behalf of, GMAC-RFC except when expressly waived in writing by GMAC-RFC.

The representations and warranties contained herein are made as of each **Funding Date** (and each **Substitution Date**, if applicable), unless the specific representation or warranty provides to the contrary. Making these representations and warranties does not release the Client from its obligations under the representations and warranties contained in other Sections of this Client Guide.

GMAC-RFC reserves the right to require the Client as a condition of GMAC-RFC's purchase of a given Loan or group of Loans to make additional warranties in writing.

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(D) No Conflicts

Neither the execution and delivery of the Program Documents, the acquisition and/or making of the Loans by Client, the sale of the Loans to GMAC-RFC or the transactions contemplated thereby or pursuant to this Client Guide, nor the fulfillment of or compliance with the Program Documents terms and conditions, will conflict with or result in a breach of any of the terms, conditions, or provisions of Client's articles of incorporation, charter, by-laws, partnership agreement, or other organizational document, or of any legal restriction or regulatory directive or any agreement or instrument to which Client is now a party or by which it is bound, or constitute a default or result in an acceleration under any of the foregoing, or result in the violation of any law, rule, regulation, order, judgment, or decree to which Client, or any of its property is subject, or impair the ability of GMAC-RFC to realize on any of the Loans, or impair the Value of any of the Loans.

(E) Ability to Perform

Client has the ability to perform each and every obligation of and/or satisfy each and every requirement imposed on, Client pursuant to the Program Documents and this Client Guide, and no offset, counterclaim, or defense exists to the full performance by Client of the requirements of Program Documents and this Client Guide.

(F) No Litigation Pending

There is no action, suit, proceeding, inquiry, review, audit, or investigation pending or threatened against Client that, either in any one instance or in the aggregate, may result in any material adverse change in the business, operations, financial condition, properties, or assets of Client, or in any material liability on the part of Client, or which would draw into question the validity or enforceability of any of the Program Documents, this Client Guide, or the Loans or of any action taken or to be taken in connection with Client's obligations contemplated in any of the Program Documents or this Client Guide, or which would be likely to impair materially Client's ability to perform under the terms of the Program Documents or this Client Guide.

(G) No Consent Required

No consent, approval, authority, or order of any court or governmental agency or body is required for the execution and performance by Client of, or compliance by Client with, any of the Program Documents or this Client Guide, the sale of any of the Loans, or the consummation of any of the transactions contemplated by any of the Purchase Documents, or, if required, such unconditional approval has been obtained prior to the related **Funding Date**.

(H) No Untrue Information

Neither the Program Documents, the Client Application, this Client Guide, nor any statement, report, or other document furnished or to be furnished by Client pursuant to the Program Documents or this Client Guide, contains any untrue statement of material fact or omits to state a material fact necessary to make the statements contained therein not misleading. Client meets GMAC-RFC's Eligibility Standards, and shall take all steps necessary to continue to meet such Eligibility Standards.

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(I) Securities Law

The Client represents that the Loans are not "securities" under any federal or State securities laws or any rules or regulations thereunder and that the transactions contemplated by this Client Guide do not require registration under, and are not subject to, any federal or State securities laws or any rules or regulations thereunder.

(J) No Accrued Liabilities

Except as may be otherwise disclosed by Client to GMAC-RFC and acknowledged by GMAC-RFC in writing prior to the date of the Client Contract, there are no accrued liabilities of Client, with respect to any of the Loans, or circumstances under which any such accrued liabilities will arise against GMAC-RFC, as successor to Client's interests in and to the Loans, with respect to any action or failure to act by Client occurring on or prior to the **Funding Date**.

(K) Origination, Servicing

Client's origination and servicing of the Loans have been legal, proper, prudent, and customary and have conformed to the highest standards of the residential mortgage origination and servicing business.

(L) Compliance With Laws

Client has complied with, and has not violated any law, ordinance, requirement, regulation, rule, or order applicable to its business or properties, the violation of which might adversely affect the operations or financial conditions of Client, or the ability of Client to consummate the transactions contemplated by the Program Documents and this Client Guide.

(M) Compliance With Program Documents and Client Guide

Client will comply with all provisions of this Client Guide and the Program Documents, and will promptly notify GMAC-RFC of any occurrence, act, or omission regarding Client, the Loan, the Mortgaged Property or the Mortgagor of which Client has knowledge, which occurrence, act, or omission may materially affect Client, the Loan, the Mortgaged Property, or the Mortgagor.

(N) No Defenses Against GMAC-RFC

The Client has no judgment, court order, claim, counterclaim, defense, right of set-off or similar right against GMAC-RFC.

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Specific Representations, Warranties and Covenants Concerning Individual Loans

For all Loans, the Client represents, warrants and covenants to GMAC-RFC as follows:

(A) Loans Are Eligible; Accuracy of Information

Each of the Loans delivered and sold to GMAC-RFC meets the applicable program terms and criteria set forth in this Client Guide. All information relating to each Loan delivered and sold to GMAC-RFC is true, complete and accurate and there are no omissions of material facts. All data provided by the Client to GMAC-RFC relating to any Loan, whether in electronic format, or otherwise, is true and complete and accurately reflects the information in the related Loan file.

(B) Compliance With Warranties

The Client is in compliance with, and has taken all necessary action to ensure that each Loan is in compliance with all representations, warranties and requirements contained in this Client Guide.

(C) Loan Provisions

The provisions of the Loan have not been impaired, waived, altered or modified in any respect, unless approved in writing by GMAC-RFC. The issuer of any related PMI Policy and the title insurer have approved the substance of any such waiver, alteration, or modification to the extent required by the respective policies. No Mortgagor has been released, in whole or in part.

(D) Documents

All **Loan Documents**, **Funding Documents** and **Final Documents** are genuine, have been completed, duly and properly executed, are in recordable form and delivered in the form and manner specified in this Client Guide, and each Loan is the Mortgagor's legal, valid and binding obligation enforceable in accordance with its terms. All originals and copies of such documents and all other documents, materials, and other information required to be submitted to GMAC-RFC have been so submitted, and are complete and accurate. All Loan Documents, Funding Documents, Final Documents and all other documents describing or otherwise relating thereto are in compliance with all applicable local and State laws, regulations and orders.

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(R) Casualty Insurance

The improvements upon the **Mortgaged Premises** are insured against loss by fire and other hazards as required by this Client Guide, including flood insurance if required under the National Flood Insurance Act of 1968, as amended. The **Security Instrument** requires the Borrower to maintain such casualty insurance at the Borrower's expense, or on the Borrower's failure to do so, authorizes the holder of the Security Instrument to obtain and maintain such insurance at the Borrower's expense and to seek reimbursement from the Borrower. Each casualty policy is the insurer's valid and binding obligation, is in full force and effect, and will be in full force and effect, to GMAC-RFC's benefit upon the consummation of the transactions contemplated by the Program Documents and this Client Guide. The Loan terms permit the maintenance of an escrow account to pay the Premiums for the above mentioned insurance, and the Client has not waived the requirement of such escrow account unless permitted by GMAC-RFC or required by applicable law.

(S) Primary Mortgage Insurance

If required by this Client Guide, primary mortgage insurance has been obtained, the Premium has been paid, and the mortgage insurance coverage is in full force and effect meeting the requirements of this Client Guide.

(T) Underwriting; Appraisal; Appraiser

The Loan is of investment quality, has been prudently originated and has been underwritten in compliance with all requirements of this Client Guide.

For each Loan for which an appraisal is required or obtained under this Client Guide, the appraisal was made by an appraiser who meets the minimum qualifications for appraisers as specified in this Client Guide. For each Loan, as of the **Funding Date**, the market Value of the **Mortgaged Premises** is at least equal to the appraised Value stated on the Loan appraisal, or if an **Automated Valuation Model (AVM)** is permitted, the Value on the AVM, except to the extent that the market Value of the Mortgaged Premises is lower than the appraised or AVM Value due to the effect of any toxic materials or other environmental hazards of which neither the appraiser nor the Client has actual knowledge or reasonable grounds to suspect.

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(Y) Execution of Documents

All agreements, contracts, assignments, endorsements and issuances of checks or drafts, reports, **Loan Documents** or other papers related to a Loan that are required by this Client Guide to be executed by the Client have been properly executed by an officer on behalf of the Client pursuant to a duly adopted Resolution of Board of Directors.

(Z) Leaseholds

Where permitted by the applicable **Loan Program**, each Mortgaged Premises involving a **Leasehold** estate complies with the applicable Leasehold warranties set forth in this Client Guide.

(AA) Condominiums; Planned Unit Developments (PUDs)

Each **Mortgaged Premises** that is a unit in a condominium or PUD complies with the applicable condominium or PUD warranties set forth in this Client Guide.

(BB) Compliance By Others

When a person or entity: (i) originates a Loan on behalf of a Client, (ii) originates a Loan on its own behalf and sells it to a Client, or (iii) performs any act for a Client which the Client is required to perform under this Client Guide, the Client warrants that such person or entity has complied with all requirements of this Client Guide with respect to all such Loans and acts.

(CC) Client Contract Warranties

The representations and warranties made at the time of the Client's execution of the Client Contract must remain true, correct and complete.

(DD) Client and Originators

Each Jumbo A, Expanded Criteria or Payment Option Loan was originated by (i) a savings and loan association, savings bank, commercial bank, credit union, insurance company or similar banking institution which is supervised by a federal or State authority, or (ii) a HUD approved non-supervised or correspondent mortgagee.

If the Client sells Loans to GMAC-RFC which are registered with **MERS** or as to which MERS is the mortgagee on the **Security Instrument**, the Client is a member of MERS, in good standing and current in payment of all fees and assessments imposed by MERS.

(EE) No Impairment of Insurance

No action, error, omission, misrepresentation, negligence, fraud or similar occurrence in respect of a Loan has taken place on the part of any person, including, without limitation, the Borrower, any appraiser, any builder or developer or any party involved in the origination of the Loan or in the application of any insurance in relation to such Loan that might result in a denial, contesting, failure or impairment of full and timely coverage under any insurance policies required to be obtained or any pool insurance policy covering such Loan.

(FF) Temporary Buydowns

Where permitted by the applicable **Loan Program**, each **Temporary Buydown** Loan delivered to GMAC-RFC was entered into pursuant to a buydown agreement which complies with the **Temporary Buydowns** Section in **Chapter 3C**, Financing, of this Client Guide.

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(GG) Primary Mortgage Insurance Cancellation

The Client has disclosed in writing to the Borrower the terms and conditions that must be met prior to the primary mortgage insurance being eligible for cancellation. A copy of this disclosure has been retained in the Loan file as a permanent record.

(HH) No Deficiency In Escrow Deposits or Payments

The Loan has been serviced by the Client and any predecessor **Servicer** in accordance with the terms of the mortgage Note and all applicable law. With respect to escrow deposits and escrow payments, if any, all such payments are in the possession of, or under the control of, the Client, and there exists no deficiency in connection therewith for which customary arrangements for repayment thereof have not been made. No escrow deposits, escrow payments or other charges or payments due the Client have been capitalized under any mortgage or related mortgage Note.

(II) Loan Securitization

The Client recognizes that it is GMAC-RFC's intent to securitize some or all of the Loans sold to GMAC-RFC by the Client. The Client agrees to provide GMAC-RFC with all such information concerning the Client generally and, if applicable, the Client's servicing experience, as may be reasonably requested by GMAC-RFC for inclusion in a prospectus or private placement memorandum published in connection with such securitization.

In addition, the Client will cooperate in a similar manner with GMAC-RFC in connection with any whole Loan sale or other disposition of any Loan sold to GMAC-RFC by the Client. The Client agrees to indemnify and hold GMAC-RFC harmless from and against any loss, damage, penalty, fine, forfeiture, court cost, reasonable attorneys' fees, judgment, cost, fee, expense or liability incurred by GMAC-RFC as a result of any material misstatement in or omission from any information provided by the Client to GMAC-RFC; or from any claim, demand, defense or assertion against or involving GMAC-RFC based on or grounded upon, or resulting from such misstatement or omission or a breach of any representation, warranty or obligation made by GMAC-RFC in reliance upon such misstatement or omission.

The Client further agrees to cooperate fully with GMAC-RFC, rating agencies, attorneys, bond insurers, purchasers of Loans or any other parties that may be involved in the sale or securitization of any Loan, including, without limitation, all cooperation as may be necessary in order to accommodate due diligence activity.

(JJ) Non-Solicitation

The Client has not solicited or provided information to another party for the purpose of soliciting, and covenants and agrees that it will not solicit or provide information to another party for the purpose of soliciting, the refinance of any Loan. The term "solicit" as used herein shall mean a direct request or offer to refinance a servicing released Loan, and shall not include general solicitations, advertisements or promotions directed to the public at large.

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(KK) No Fraud or Misrepresentation

No fraud or misrepresentation by the Borrower or by the Client, broker, correspondent, appraiser or any independent contractor retained by the Client, broker, correspondent, appraiser or any employee of any of the foregoing occurred with respect to or in connection with the origination or underwriting of any Loan and all information and documents provided to GMAC-RFC in connection with the Loan are complete and accurate.

(LL) Exclusionary List

No party involved in the origination of a Loan (e.g., originator, broker, title company, appraiser, etc.) was on the **Exclusionary List** on the date the Loan was originated as determined by the date of the promissory Note for that particular Loan.

(MM) Early Payment Default

Neither Client, nor any third party acting on behalf of Client, has made or will make a scheduled payment on a Loan during the 90-day period where the Loan is subject to repurchase for **Early Payment Default**.

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Additional Client Representations, Warranties and Covenants for the Home Equity Program

The Home Equity Program adheres to the Client representations, warranties and covenants stated below as well as the representations, warranties and covenants contained in this Client Guide.

Unless the Home Equity Loan is a valid first lien on the **Mortgaged Premises**, the following representation and warranty applies:

Valid Second Lien

Each **Security Instrument** transferred to GMAC-RFC constitutes a valid lien on the Mortgaged Premises which is subordinated only to a lien of the holder of a first mortgage Loan, and is subject only to the minor impediments described in the **Title Insurance** Section of this Chapter. No such impediment shall adversely affect the Value, use, enjoyment or marketability of the Mortgaged Premises.

The following additional representations and warranties are made by the Client to GMAC-RFC as of the **Purchase Date** of each Home Equity Loan:

(A) Licensing

The Client and any agents or correspondents originating for the Client have obtained all licenses and approvals required with respect to the origination of the Home Equity Loans, including, to the extent applicable, licenses and approvals required for small Loans or small advances and licenses and approvals required to charge the maximum interest rate allowable under State law.

(B) No Contractor or Dealer Loans

No home improvement contractor or dealer was involved as a third party originator of a Home Equity Loan or received compensation in any form from the Client.

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- (10) The Non-Standard Documents do not provide for:
 - A grace period to the Borrower for delinquent principal and interest payments **Nor**
 - The application of a prior **Prepayment** of principal to delinquent payments
- (11) The **Non-Standard Documents** provide for application of payments first to **Escrow/Impound**, second to interest, third to negative amortization and finally to principal.
- (12) The Non-Standard Documents provide for a late charge in compliance with the requirements set forth in this Client Guide.
- (13) If any of the **Mortgaged Premises** covered by the Non-Standard Documents is rental property (one to four family units), then the documents should contain covenants and agreements of the Borrower, including an enforceable assignment of rents, substantially similar to the covenants and agreements contained in the **Uniform Instruments**. These documents should also grant rights to the Client equivalent to those contained in the Uniform Instruments.
- (14) If any of the Mortgaged Premises covered by the Non-Standard Documents is part of a **Planned Unit Development**, then these documents should contain covenants and agreements of the Borrower. These documents should also grant rights to the Client equivalent to the Uniform Instruments.
- (15) The use of **Non-Standard Documents** will not preclude the Client from performing all servicing and accounting requirements outlined under this Client Guide.

The foregoing representations and warranties with respect to Loans evidenced or secured by Non-Standard Documents shall be in addition to all other representations and warranties contained in this Client Guide or in the Client Contract.

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Proof of Compliance

The Client will, upon the request of GMAC-RFC, supply proof satisfactory to GMAC-RFC of its:

- (1) Compliance with all representations and warranties contained in this Client Guide, and
- (2) Compliance with all local, State and federal laws, rules and regulations.

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Integrity of Information

The Client is responsible for credit and property underwriting regardless of whether the information was provided by the Client, an entity related to the Client or designated by the Client to perform the function. This includes credit information, appraisals, or other documents/information used in the Loan's evaluation.

The Client should take all steps necessary to ensure that each Loan sold to GMAC-RFC has been prudently originated and underwritten, and that all information supplied by, on behalf of, or concerning the Borrower is true, accurate and complete. The Client should ensure that interested parties are sufficiently independent from the Loan transaction and that adequate organizational controls are in place to ensure the independence, validity and reliability of the Loan information.

In addition, the Client should implement prudent practices when relying on designated agents (such as escrow companies, title companies, etc.) in order to ensure that they comply with its instructions and that the integrity of the Loan transaction has been maintained.

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Third-Party Originators

When relying on the actions or services of third-party originators, the Client should establish qualification and eligibility standards. The Client should consider the functions being performed by the third-party originator in establishing these standards. These standards should be reviewed periodically to ensure ongoing eligibility by the third-party originator.

The Client is encouraged to include the following items in formulating its qualification and eligibility standards and procedures:

- (1) Review personnel resumes and references of management and Loan origination staff (Loan officers, processors, underwriters, closers, etc.)
- (2) Establish minimum net worth requirements and evaluate the financial viability of the firm on an ongoing basis
- (3) Establish minimum requirements for errors and omissions insurance and fidelity bond coverage and monitor ongoing compliance with these standards
- (4) Document the relationship with a contractual agreement that contains specific warranties related to each party's responsibilities, as well as recourse rights in the event of warranty violations
- (5) Review the performance of Loans originated by third parties to evaluate trends or patterns of **Delinquency**

The Client should include a representative, random sample of third-party Loans in the quality control program through both pre- and post-closing quality control audits to ensure the quality of Loan information.

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Events of Default

Any one or more of the following events constitute an **Event of Default**:

- (1) The Client has not complied with one or more of the requirements (including any requirement outlined in Chapter 2, Client Eligibility) terms or conditions outlined in this Client Guide or one of the disqualification, suspension or inactivation events set forth in the **Disqualification Suspension or Inactivation** Section has occurred or occurs.
- (2) The Client has breached any agreement outlined or incorporated by reference in the Client Contract or any other agreement between the Client and GMAC-RFC.
- (3) The Client breaches any of the representations, warranties or covenants set forth in this Client Guide, fails to perform its obligations under this Client Guide or the Program Documents, makes one or more misleading representations, warranties or covenants to GMAC-RFC, or has failed to provide GMAC-RFC with information in a timely manner, including information required under Regulation AB or any successor regulation, that is true, complete and accurate.
- (4) The Borrower or any other person or entity involved in the Loan transaction or in its underwriting or documentation (including any appraiser, broker, third-party originator, credit reporting agency, or other provider of underwriting information) has made any false representation and/or has failed to provide information that is true, complete and accurate in connection with such transaction, whether or not the Client was a party to or had knowledge of such misrepresentation or incorrect information.
- (5) Occurrence of an Event of **Servicer** Default with respect to any Loans serviced by the Client.
- (6) Termination of servicing for cause is a basis for the Client's immediate disqualification or suspension. Action taken by GMAC-RFC to terminate servicing may be merged with an action to disqualify, suspend or inactivate the Client.

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Remedies of GMAC-RFC

(A) Non-Exclusive, Cumulative Remedies

GMAC-RFC may exercise any remedy outlined in this Client Guide or as allowed by law or in equity. GMAC-RFC's exercise of one or more remedies in connection with a particular **Event of Default** will not prevent it from exercising:

- One or more other remedies in connection with the same Event of Default
- Any other rights which it may have at law or in equity

(B) Waiver of Defaults

GMAC-RFC may waive any default by Client in the performance of Client's obligations hereunder and its consequences, but only by a written waiver specifying the nature and terms of such waiver. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto, nor shall any delay by GMAC-RFC in exercising, or failure to exercise, any right arising from such default affect or impair GMAC-RFC's rights as to such default or any subsequent default.

(C) Survival of Remedies

GMAC-RFC's remedies for breach of the representations, warranties and covenants shall survive the sale and delivery of the Loan to GMAC-RFC and funding of the related purchase price by GMAC-RFC, and will continue in full force and effect for the remaining life of the Loans, notwithstanding any termination of this Client Guide and the related **Funding Documents**, or any restrictive or qualified endorsement on any mortgage Note or assignment of mortgage or Loan approval or other examination of or failure to examine any related mortgage Loan file by GMAC-RFC.

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Repurchase

(A) Repurchase Obligations

If GMAC-RFC determines that an **Event of Default** has occurred with respect to a specific Loan, the Client agrees to repurchase the Loan and its servicing (if the Loan was sold servicing released) within 30 days of receiving a repurchase letter or other written notification from GMAC-RFC.

If the Client discovers an Event of Default, it should give GMAC-RFC prompt written notice. Such notice should include a written description of the Event of Default. Upon receipt of this notice, GMAC-RFC will review these materials and any additional information or documentation that the Client believes may influence GMAC-RFC's decision to require repurchase. If GMAC-RFC decides to require repurchase, the Client shall repurchase the Loan and the servicing (if the Loan was sold servicing released) within 30 days after GMAC-RFC's decision is communicated to Client in writing.

To expedite the wiring of funds to GMAC-RFC, the Client should complete the servicing transfer instruction form provided by GMAC-RFC. GMAC-RFC will send the form to the Client along with the notification of repurchase.

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GMAC-RFC is not required to demand repurchase within any particular period of time, and may elect not to require immediate repurchase. However, any delay in making this demand does not constitute a waiver by GMAC-RFC of any of its rights or remedies.

Where GMAC-RFC determines that repurchase of a Loan and/or the servicing is not appropriate, the Client shall pay GMAC-RFC all losses, costs and expenses incurred by GMAC-RFC and/or the Loan's **Servicer** as a result of an **Event of Default**. This includes all reasonable attorneys' fees and other costs and expenses incurred in connection with enforcement efforts undertaken.

Upon the Client's satisfaction of its repurchase obligation, GMAC-RFC will endorse the Note evidencing the Loan in blank and will deliver it and other pertinent **Loan Documents** to the Client. If GMAC-RFC acquired title to any of the real property securing the Loan pursuant to a foreclosure sale and has not disposed of such property, it will transfer such property to the Client on a "quit claim" basis or, if required by State law, a "warranty deed" basis. However, if GMAC-RFC has disposed of the real property securing the Loan, the Loan Documents will not be returned to the Client unless requested.

If the Client is also the **Servicer** of a Loan repurchased by reason of the occurrence of an Event of Default, GMAC-RFC will not reimburse the Client for any principal, interest or other advances made by the Client with respect to that Loan.

If, for any particular Loan, Client has complied with its property valuation documentation requirements (as described under Specific Representations, Warranties and Covenants Concerning Individual Loans in the **Underwriting; Appraisal; Appraiser** Section) by providing a GMAC-RFC Qualified AVM in lieu of an appraisal, where the **Loan Program** terms permit the use of a **Qualified AVM** as the sole documentation of property valuation underlying such Loan, and provided a Qualified AVM was obtained by Client in good faith directly from Qualified AVM Vendors (See GMAC-RFC **Exhibit 16G05**, Automated Valuation Model (AVM) Approved Vendors) and has been submitted to GMAC-RFC in its original, unaltered form as issued by the Qualified AVM Vendor; or, alternatively, if GMAC-RFC has waived an appraisal and indicated such waiver in its AssetwiseSM messaging (an **Appraisal Waiver**), then, if an **Event of Default** related to such Loan arises solely out of the validity and accuracy of the property valuation amount stated in the Qualified AVM, or otherwise related to the property valuation amount with respect to a loan where GMAC-RFC has granted an Appraisal Waiver, but provided that in all other aspects the Loan was eligible for purchase by GMAC-RFC at the time it was submitted for purchase by Client, GMAC-RFC will not exercise its right to demand repurchase for such particular Loan by reason of such particular Event of Default. However, in the case of either a **Qualified AVM** or an Appraisal Waiver, GMAC-RFC may continue to exercise its right to demand repurchase if GMAC-RFC reasonably believes that Client or any third party originator obtained a Qualified AVM or allowed GMAC-RFC to rely on an **Appraisal Waiver** in bad faith, such as by using a Qualified AVM where Client or the third party originator had reason to know that the mortgaged property was materially different than that described in the Qualified AVM or that the description in the Qualified AVM should not be considered reliable at the time the Loan was sold to GMAC-RFC, or where the Client or third party originator has reason to know that the mortgaged property was materially damaged.

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(B) Repurchase Price of First Mortgage Programs

In the event the Client is obligated to repurchase a Loan the Client must pay to GMAC-RFC a repurchase price equal to the sum of:

- The actual principal balance of the Loan at the time of repurchase (if the Client sold the Loan to GMAC-RFC at a discount or a Premium, the repurchase price above will be adjusted to reflect the actual principal balance minus the discount percentage multiplied by the actual principal balance, or plus the Premium percentage multiplied by the actual principal balance, as appropriate, including that price paid for **Servicing Rights**), plus
- All accrued and unpaid interest on the Loan through the last day of the month of the date of repurchase; plus
- All interest, principal and other advances made to investors and all out of pocket costs and expenses of any kind incurred by GMAC-RFC and/or the primary **Servicer** in connection with the Loan, including, but not limited to, advances for taxes or insurance, and repair, foreclosure and insurance costs and reasonable attorneys' fees; plus
- The amount of the **Buyout Fee** as calculated in the **Extension and Buyout Fees** Section of Chapter 9A, Commitments; plus
- In the event that GMAC-RFC or any of its **Affiliates** is required to repurchase the Loan from any subsequent assignee, then any additional amount as may be required to make the repurchase price that the Client is obligated to pay hereunder equal to the repurchase price that GMAC-RFC or its Affiliate is required to pay to such subsequent assignee; minus
- The net amount of any proceeds realized by the owner of the Loan upon the final liquidation of the Loan or the **Mortgaged Premises** to an unrelated third party.

The **Designated Servicer** will return to the Client any escrow funds, unapplied funds and prepaid principal and interest installments.

GMAC-RFC may demand that a Client repurchase, and Client must repurchase, a Loan after foreclosure even if the full amount of its outstanding debt was bid on by or on behalf of the Loan's owner to acquire the **Mortgaged Premises** at the foreclosure sale. In the event the Client is obligated to repurchase a Loan after foreclosure, the repurchase price shall be calculated using the formula above, however **Scheduled Principal Balance** shall be substituted for the actual principal balance.

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(G) Substitution

Instead of requiring the Client to repurchase a Loan as provided above, GMAC-RFC, at its sole discretion, may allow the Client to substitute another Loan satisfactory to GMAC-RFC in place of the original Loan, within 10 days of notification by GMAC-RFC, unless otherwise notified. If the substituted Loan contains terms different from those of the Loan that it is replacing, a purchase price adjustment will be calculated by GMAC-RFC based on market changes and Loan characteristics. Every Loan substituted will be subject to all agreements, terms, conditions, representations and warranties in this Client Guide as of the **Substitution Date**.

In the event a Loan is eligible for purchase by GMAC-RFC but the servicing is ineligible for purchase by GMAC-RFC, the Loan will be purchased and the sale of servicing denied. GMAC-RFC will not allow the Client to substitute another servicing released Loan.

(H) Cost of Transfer Fees Due to Repurchase

The Client agrees that, if it is required to repurchase a Loan and the related Servicing, it will pay all documentary stamp taxes, recording fees, transfer taxes and all other expenses payable in connection with the repurchase and will indemnify and hold harmless GMAC-RFC and the **Designated Servicer** against all losses, costs and expenses, including attorney fees, resulting from such required repurchases or the breach giving rise hereto.

(I) Notice and Appeal

The Client may appeal GMAC-RFC's decision by providing any additional information or documentation it believes may affect GMAC-RFC's determination.

Send all notifications and appeals to:

GMAC-RFC
One Meridian Crossings
Suite 100
Minneapolis, MN 55423
Attention: Repurchase Management

Such information and documentation must be received within 30 days after the Client's receipt of a repurchase letter or similar written notification from GMAC-RFC. GMAC-RFC will review all appeals and advise the Client in writing of the appeal decision. GMAC-RFC will in its sole discretion determine the validity of any appeal filed by the Client. If GMAC-RFC's decision remains firm following an appeal, the Client shall repurchase the Loan and its servicing (if the Loan was sold servicing released) within 10 days of notification by GMAC-RFC, in writing, that the appeal has been denied.

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Disqualification Suspension or Inactivation

In addition to GMAC-RFC's other rights to terminate, disqualify, suspend or inactivate a Client, GMAC-RFC may disqualify, suspend or inactivate a Client for any of the following reasons:

- (1) Impending or actual insolvency of the Client,
- (2) The filing of a voluntary petition by the Client under the federal bankruptcy laws or under any State bankruptcy or insolvency laws,
- (3) The filing of an answer by the Client in an involuntary proceeding admitting insolvency or inability to pay debts,
- (4) The Client's entry of an order for relief under the federal bankruptcy laws,
- (5) The appointment of a trustee or receiver for the Client or its property,
- (6) The execution by the Client of an assignment for the benefit of creditors,
- (7) The failure of the Client to obtain a vacation or stay of involuntary proceedings brought for its reorganization, dissolution, or liquidation,
- (8) Any other change in the financial or organizational status of the Client that, in the opinion of GMAC-RFC, could adversely affect GMAC-RFC or any Loans sold to GMAC-RFC,
- (9) The placement of the Client on probation or restriction of its activities in any manner by (a) a federal or State government agency, including **Freddie Mac**, **Fannie Mae** or **HUD**, or (b) **MERS**, if the Client is a member of MERS,
- (10) The determination by GMAC-RFC that the Client's sales and warranty obligations are disproportionate to its capital and/or assets,
- (11) The Client's failure to deliver any document required by GMAC-RFC,
- (12) The Client's misstatement or omission of any material fact on any application, certification or other document submitted to GMAC-RFC,
- (13) The Client's assignment or attempt to assign its interests, rights, or obligations under the Client Contract without prior written consent by GMAC-RFC,
- (14) The occurrence of an **Event of Default**,
- (15) The Client's failure to repurchase any Loan upon the written notification by GMAC-RFC,
- (16) The Client's inability to meet the approval standards of any insurer or other entity that provides insurance or other credit enhancements in connection with the efforts of GMAC-RFC to sell the Loans or to borrow based on the collateral Value of the Loans,

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- (17) The Client or **Servicer's** failure to maintain a qualified Loan origination, servicing and quality control staff, an acceptable ongoing quality control program, adequate facilities and written policies and procedures to ensure:
- The investment quality of Loans sold to GMAC-RFC
 - The adequacy of the servicing of Loans purchased by GMAC-RFC **OR**
- (18) The failure of the Client or the **Servicer** to meet any test as may be prescribed for eligibility,
- (19) The determination by GMAC-RFC that a Client has not delivered an adequate volume of Loans to GMAC-RFC.

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Indemnification

The Client shall indemnify GMAC-RFC from all losses, damages, penalties, fines, forfeitures, court costs and reasonable attorneys' fees, judgments, and any other costs, fees and expenses resulting from any **Event of Default**. This includes, without limitation, liabilities arising from (i) any act or failure to act, (ii) any breach of warranty, obligation or representation contained in the Client Contract, (iii) any claim, demand, defense or assertion against or involving GMAC-RFC based on or resulting from such breach, (iv) any breach of any representation, warranty or obligation made by GMAC-RFC in reliance upon any warranty, obligation or representation made by the Client contained in the Client Contract and (v) any untrue statement of a material fact, omission to state a material fact, or false or misleading information provided by the Client in information required under Regulation AB or any successor regulation.

In addition, Client shall indemnify GMAC-RFC against any and all losses, damages, penalties, fines, forfeitures, judgments, and any other costs, fees and expenses (including court costs and reasonable attorneys' fees) incurred by GMAC-RFC in connection with any litigation or governmental proceeding that alleges any violation of local, State or federal law by Client, or any of its agents, or any originator or broker in connection with the origination or servicing of a Loan. With regard to legal fees or other expenses incurred by or on behalf of GMAC-RFC in connection with any such litigation or governmental proceeding, Client shall reimburse GMAC-RFC for such fees and expenses. Reimbursement shall be made directly to GMAC-RFC within ten days of receipt of a request for payment, which request shall include copies of the relevant invoices. Except for notices for reimbursement, GMAC-RFC is not required to give Client notice of any litigation or governmental proceeding that may trigger indemnification obligations. Client shall instruct its officers, directors and agents (including legal counsel) to cooperate with GMAC-RFC in connection with the defense of any litigation or governmental proceeding involving a Loan. GMAC-RFC has the right to control any litigation or governmental proceeding related to a Loan, including but not limited to choosing defense counsel and making settlement decisions.

The Client also shall indemnify GMAC-RFC and hold it harmless against all court costs, attorney's fees and any other costs, fees and expenses incurred by GMAC-RFC in enforcing the Client Contract. The obligations of the Client under this Section shall survive the **Delivery Date**, the **Funding Date** (and each **Substitution Date**, if applicable) and the termination of the Client Contract and the disqualification, suspension or inactivation of the Client.

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Underwriting

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Underwriting

The purpose of credit and property underwriting is to ensure that each Loan meets GMAC-RFC's quality standards. A Loan meets GMAC-RFC's underwriting quality standards if the credit, character, capacity and collateral are consistent with the Loan Program and credit grade under which the Loan is sold to GMAC-RFC. The likelihood of timely repayment is expected to be commensurate with the credit quality of the program and the represented Value of the **Mortgaged Premises** is expected to accurately reflect its market Value.

This Underwriting Chapter sets out underwriting standards that apply to all GMAC-RFC Loan Programs. Generally, underwriting standards that vary from one standard Loan Program to another are described in the individual Loan Program Chapters. In most cases, differences will not be referenced in this Chapter. Loans that do not comply with the criteria for standard Loan Programs may be eligible for purchase under a non-standard Loan Program.

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Description of Underlying Chapters

Chapter 4A, Credit

Chapter 4B, Liabilities and Debt Ratios

Chapter 4C, Cash To Close

Chapter 4D, Income Types

Chapter 4E, Income Documentation

Chapter 4F, Appraisal Requirements and Property Underwriting

Chapter 4G, Electronic Services

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Client Underwriting Responsibility

The Client represents and warrants that all Loans sold to GMAC-RFC meet the eligibility and underwriting guidelines as set forth in this Client Guide.

The Client is responsible for the credit and property underwriting regardless of whether the credit information and appraisal were required or any Loan processing functions were performed by an entity other than the Client or any entity related to the Client.

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GMAC-RFC Underwriting Review

GMAC-RFC may perform, at its sole discretion, a quality control or underwriting review of any Loan prior to or after GMAC-RFC has funded the Loan. The potential for review and the depth of the review increases for Loans with high risk characteristics, for new Clients and for Clients with performance or other risk issues. High risk Loan characteristics may include:

- Loans that fail the credit guidelines for the product and grade being delivered
- Low score/high LTV Loans
- High balance/high cash-out Loans or
- High balance/ARM Loans

Upon completion of its review, GMAC-RFC will notify the Client of any material Loan deficiencies. At its sole discretion GMAC-RFC may deny funding, allow re-pricing or require repurchase of any Loan that is ineligible for the program under which the Loan is submitted to GMAC-RFC. GMAC-RFC is committed to standards of reasonableness in underwriting judgment and will exercise its sole discretion only when the Loan deficiency is a material breach of the standards disclosed in this Client Guide.

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Loan Application Analysis

The Loan application assists in determining the Borrower's eligibility for the Loan. During the completion and review of the application, the Client agrees to analyze this eligibility in the following manner:

- Verify and substantiate the quantity, quality and durability of the Borrower's primary income and other income (does not apply to Loans with the following documentation types: Stated Income, No Ratio, Stated Income/Stated Asset, No Income/No Asset, and No Doc)
- Verify and analyze the Borrower's assets to determine if adequate funds are available to meet the equity requirements of the Loan transaction and liquid reserve requirements
- Verify and substantiate the Borrower's liabilities and credit history and relate those liabilities to the Borrower's assets and income
- Evaluate the Borrower's net worth in relation to his or her ability to manage financial affairs
- Verify that the declarations are consistent with program eligibility

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Electronic Documentation Standards

GMAC-RFC will accept **Electronic Verification** for employment, income, assets or appraisals. GMAC-RFC, at its sole discretion, may require additional or original documentation.

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Appraiser Requirements

The appraiser must:

- (1) Be a State licensed or certified appraiser.
- (2) Meet the independent appraiser requirements for staff appraisers or, as appropriate, fee appraisers specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the **FDIC** and the Office of Thrift Supervision with their respective real estate appraisal regulations adopted in accordance with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (regardless of whether the Client is subject to those regulations).
- (3) Be experienced in the appraisal of properties similar to the type being appraised.
- (4) Be actively engaged in appraisal work.
- (5) Subscribe to a code of ethics that is at least as strict as the code of the American Institute of Real Estate Appraisers or the Society of Real Estate Appraisers.

Discontinuance of Appraiser Services

- (1) The Client agrees to inform GMAC-RFC immediately if, for any cause, it discontinues using the services of any appraiser who has made appraisals for Loans offered for sale to GMAC-RFC.
- (2) GMAC-RFC may at any time notify the Client that it will no longer purchase Loans secured by **Mortgaged Premises** that were appraised by a particular appraiser.

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Appraisal Requirements

If an appraisal is required it must be in writing. **Electronic Verifications** are acceptable, but must be in a standard format as outlined in Required Appraisal Forms. The Client must ensure that all appraisals are performed in strict accordance with all applicable local, State and federal laws, regulations and orders. In addition, all appraisals must conform to the current Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

The Client must review each appraisal in detail for completeness, accuracy and appraising logic. Also, the Client assumes sole responsibility for the quality of the appraisal report as well as its execution in strict accordance with all applicable local, State and federal laws, regulations and orders.

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Lower Value of the original appraisal or the field review will be used to determine LTV/CLTV.

(C) Required Appraisal Attachments

Each appraisal must have the following attachments:

- (1) Three clearly legible photograph prints of the property—front, rear and street scene with the subject matter filling the full frame.
- (2) Clearly legible photograph prints of any improvements made supporting an increase in Value due to remodeling or renovation with the subject matter filling the full frame.
- (3) Clearly legible photograph prints of each sale comparable used on the Residential Appraisal Report—front scene with the subject matter filling the full frame.
- (4) Location map showing the property and the comparables.
- (5) Appraiser's cover letter explaining unusual items not adequately addressed in the appraisal.
- (6) Diagram of the floor plan, detailing room layout.

(D) Completion of Appraisal Reports

The appraisal report must support the appraiser's estimate of the **Mortgaged Premises'** market Value, and it must present to the reader a visual picture of the neighborhood, site and improvements. The appraiser must use the comments section of the report to achieve this goal and attach additional documentation if necessary.

(E) Conditions of Appraisal

- (1) For appraisals submitted subject to repairs, alterations or conditions, or subject to completion per plans and specifications, the Client must submit a Satisfactory Completion Certificate (Fannie Mae Form 1004D/Freddie Mac Form 442) and photo to GMAC-RFC on the **Delivery Date**. Whenever possible, the original appraiser must prepare this certificate.
- (2) For appraisals reflecting evidence of dampness, termites or abnormal settlement, the Client must submit evidence of corrective action (i.e., an exterminator's certificate or an engineer's report) to GMAC-RFC on the Delivery Date. If corrective action is not a condition of the appraisal, the appraiser must comment on the effects of the adverse conditions on Value and marketability.

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Appraisal Evaluation

The appraisal information must provide a logical basis for evaluation. The appraiser must present a concise picture of the neighborhood, site and improvements to support an indicated Value by the cost approach and market data approach that adequately support the estimate of market Value. The Client must determine that the appraiser has adequately supported his or her opinion of the property's Value.

When working with varying levels of credit quality, property valuation takes on increased importance. While the adequacy of the appraisal is always a critical component in assessing the Loan's overall risk, the property becomes more important when working with the non-conforming credit Borrower or with a property that deviates from typical market standards. Therefore, the appraisal report must strongly demonstrate the acceptability of the collateral.

Differences in acceptable property types and characteristics are determined by the **Loan Program** under which the Loan is submitted. Higher credit grade Borrowers compensate for expansion into higher risk property types. For instance, within GMAC-RFC's Expanded Criteria Program, property types that traditionally present greater risk (such as **Condo-Hotel**) are acceptable as long as the Borrower's credit grade meets the standards of the program (A quality as defined by grades A1 to A3, as defined in the **Credit Evaluation Components** Section of **Chapter 4A**, Credit).

GMAC-RFC uses the components discussed below to assess the adequacy of appraisal reports:

(A) Neighborhood Analysis

The neighborhood in which a property is located is a critical determinant of its marketability and Value. The Client must analyze all factors presented in the appraisal's Neighborhood section. Favorable or unfavorable factors and any changes that have occurred in the prior year that affect marketability of the properties within the neighborhood, must be addressed by both the appraiser and Client.

In a neighborhood analysis, GMAC-RFC considers all elements of the property's location including:

- Neighborhood property Values
- Composition of the neighborhood
- Marketing time
- Present land use of the neighborhood
- Price range and predominant Value

(1) Neighborhood Property Values

Property Values must be stable or increasing. The appraiser must substantiate this by showing comparable sales within six months of the appraisal date.

Declining Values are a concern due to the potential for equity erosion. When a property is located in an area described as declining in Value, GMAC-RFC may consider the transaction when there is a substantial reduction in the **Loan-to-Value** ratio.

Second Mortgage Programs restrict the CLTV limits available in areas of property decline.

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(2) Neighborhood Composition

The degree to which a neighborhood is built up and its location within a metropolitan area or rural area is used to assess the reasonableness of the comparable sales. In other words, an appraisal for a property in an urban area that is highly built up must provide sales data available within one mile of the subject property.

Rural properties are generally more difficult to assess. Marketing times may be affected by their remote location. Therefore, proximity of the comparable sales will be critical in determining the **Rural Property's** marketability.

Maximum financing is not recommended when securing a Loan by a Rural Property. If any one of the following criteria exists, the property will be classified as rural:

- Appraiser classifies the property as rural
- Less than 25% of the surrounding market area is developed
- If at least 50% of the acceptable comparable properties are not within five miles of the subject property, unless the appraiser provides sufficient justification for the distance of the comparables and clarifies that the property is not rural in nature

Loans must meet the maximum acreage requirements of each **Loan Program**.

(3) Marketing Time

Marketing time of properties in the subject's neighborhood must be less than six months to assure no loss of equity.

(4) Present Land Use of the Neighborhood

A likely change in the neighborhood's land use would be of concern if the change negatively affects the property's future Value.

(5) Price Range and Predominant Value

A comparison of the predominant Value for the neighborhood must favorably reflect the **Mortgaged Premises' Value**. If the subject property sets the top Value for the neighborhood, it may be an indication that the property represents an over-improvement. Future purchasers may be less willing to pay for features that are not common to the area. Therefore, its appeal may be limited at its current Value. Again, the Client must carefully consider whether the property is appropriate for financing at the maximum Loan limits.

Likewise, a property at the low end of the market's Value may also be cause for concern. The Client must consider whether the property in its current form is likely to continue to be its highest and best use.

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(D) Cost Approach

The cost approach is important when appraising proposed, under construction, or substantially rehabilitated properties as a check for the market data approach. If the appraiser believes that the cost approach is not applicable (e.g., turn of the century homes) and if sufficient sales of comparable properties are available in the market, the cost approach may be omitted with comments explaining this belief.

Whether or not the cost approach is used, the Client must show an "Estimated Land Value." The Client must base this figure on the Value of the land as though it were developed to its highest and best use consistent with its present zoning classification. The Client must use the land Value when calculating the property's LTV ratio.

(1) External Obsolescence

External obsolescence is a devaluation of property Value due to an undesirable or unnecessary condition outside the property. The appraiser must address the impact on marketability external obsolescence has upon the subject property. In addition, the appraiser must provide evidence of comparable market sales that are similarly affected.

(2) Functional Obsolescence

Functional obsolescence is defined as features of a property that have become unfashionable or unnecessary in the eyes of potential purchasers. The appraiser must describe the functional obsolescence, and provide similar comparables to demonstrate its marketability or provide the cost to cure, if applicable.

(E) Market Data Approach

In its analysis, GMAC-RFC places the greatest weight and reliance on the market data approach. The Value indicated by this approach must be supported by an analysis of recently closed sales of at least three comparables located near the **Mortgaged Premises**.

GMAC-RFC considers the following key items in its review and analysis of the market data approach:

(1) Proximity of Comparables to the Subject

Comparable properties must be located in the same neighborhood and/or school district. Comparable sales must be located within one mile of the subject in urban and suburban areas. If two of three comparable properties used by the appraiser exceed a distance of five miles from the subject property, the property will be considered rural. The appraiser must explain the necessity of using any comparable property located outside the neighborhood.

(2) Comparables Inside and Outside New Projects

The appraiser must demonstrate the marketability of homes built within new subdivisions or condominium projects through the use of at least one comparable from inside the subdivision or project and one comparable from a competing subdivision or project.

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(3) Age of Comparable Sales

Comparables must have a recent date of sale, preferably within six months of the subject's **Sale Date**. If any of the comparables are over six months old, the appraiser must comment on the market conditions. If it is necessary to use older comparables, the appraiser must supplement them with pending sales and/or current listings in the neighborhood.

(4) Similarity of Comparables to Subject

The comparables used by the appraiser must represent the best market data available to support the property's estimated Value. Comparable sales must be as similar to the subject property as possible in physical attributes, rights of ownership, zoning and other amenities. When similar to the subject, comparables establish that it is typical to the area and that the need for adjustments will be minimal.

(5) Adjustments to Comparables

This Section discusses acceptable adjustments to comparables.

(a) Number of Adjustments

The need for numerous adjustments indicates the comparable is not similar to the subject. This decreases the validity of the comparable.

(b) Dollar Amount of Adjustments

The dollar amount of adjustments must reflect the market reaction to the difference between the subject and the comparables, not the cost of a particular difference. The amount must be realistic and consistent among the comparables.

(c) Adjusted Property Characteristics

Adjustments of certain items (such as quality, location, condition and age) are more difficult to justify with direct market evidence than other items (such as garages, fireplaces and finished basements). If a comparable contains an increasing number of adjustments for "difficult items," its accuracy as a Value indicator decreases.

(d) Time Adjustments

The appraiser must keep to a minimum those adjustments made due to the difference in time at which the comparable sold compared to the subject property. If used, these comparables must be supported by documents showing that they are warranted. For example, positive adjustments for time of sale must have a correlating rating in the Neighborhood section showing "increasing property Values." Additionally, the appraiser must explain the amount of appreciation taking place, how long it has been experienced and whether it can be expected to continue. The appraiser must also describe the conditions causing it.

(e) Square Footage Adjustments

Adjustments for differences in square footage must be realistic for the marketplace.

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(f) Total Net Adjustments

Total net adjustments must be minimal if the comparable is truly similar. As a guideline, net adjustments must not exceed 15% of the sales price of the comparable.

(g) Bracketing

Rather than using a comparable that will require sizable adjustments in the same direction, the appraiser must use the bracketing technique during the selection of comparables. This essentially involves choosing one comparable that is superior to the subject, one that is inferior and one that is most similar. Through the adjustment process, the superior comparable adjusts downward to the subject, the inferior one adjusts upward and the most similar comparable requires few, if any, adjustments.

(h) Descriptive Language

The appraiser must describe property characteristics using specific, factual and detailed language. The appraiser must use numerals whenever applicable (e.g., for lot size, age of improvements, etc.). Clear descriptions (such as "good," "average," "fair" or "poor") must be used to provide consistency between the property and the comparable.

(i) Sales or Financing Concessions

The subject and all comparables must show the form of financing and as many of its details as possible (financing Addenda are helpful). Adjustments must be considered for different types of financing or special marketing concessions, such as buydowns, furniture, dollar refunds, allowances over a specified number of months, apportionment of rent payments toward down payments or decorating and other miscellaneous credits.

The Client must carefully review the appraisal to determine if the appraiser has adequately demonstrated the effects of such financing or sales concessions on the property's Value.

(F) Sales History

GMAC-RFC will review the sales history of the subject and comparables to determine if any substantial appreciation or property churning has occurred. Large increases in Value must be supported by market data or documented improvements to the property.

(1) Income Approach

The Value indicated by the income approach, if considered applicable by the appraiser, **must** be derived by the gross rent multiplier technique using economic market rent.

The income approach is required for all two to four unit properties, non-owner occupied, single-family properties. In general, due to the Value dependence on rental income for investment or two to four unit properties, GMAC-RFC may require additional substantiation if the Value for such properties exceeds a reasonable multiple gross annual economic market rent.

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Electronic Services

This Electronic Services Chapter sets out standards that apply to all GMAC-RFC Loan Programs. Generally requirements that vary from one standard Loan Program to another are described in the individual Loan Program Chapters. In most cases, differences will not be referenced in this Chapter.

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Overview and Incorporation of Terms of Use

Clients may be eligible to use various electronic services offered by GMAC-RFC for its sellers, including such electronic services as AssetwiseSM, the Assetwise Compliance Engine, and AssetlockSM.

GMAC-RFC may require all Clients who wish to use any of the electronic services to first obtain a User ID and password for each of the Client's individual users from the Client's GMAC-RFC Business Analyst or other eCommerce support team members. GMAC-RFC may make one or more of the electronic services available through those User IDs, depending on the requests and needs of the Client. From time to time, GMAC-RFC may also make certain electronic services available via selected third party providers. A user ID and password may or may not be required to access GMAC-RFC's electronic services through these third parties.

By requesting or using any User IDs for the GMAC-RFC electronic services, Client agrees to the current Terms of Use for each particular electronic service posted on or linked through the GMAC-RFC Lender Portal at www.GMACResidentialFunding.com or the individual Web pages dedicated to the particular electronic service. GMAC-RFC may amend any such Terms of Use by posting the amended Terms of Use on those same Web pages. Client's use of the electronic service after such posting shall constitute Client's agreement to the amended Terms of Use. The Terms of Use are intended to supplement the terms of this Client Guide. In the event of an irreconcilable conflict between any Terms of Use and this Client Guide, the Terms of Use shall prevail.